

(b) Subsidiaries. Section 3.1(b) of the Conectiv Disclosure Schedule contains a description as of the date hereof of all Subsidiaries and Joint Ventures of Conectiv, including the name of each such entity, the state or jurisdiction of its incorporation or organization, a brief description of the principal line or lines of business conducted by each such entity and Conectiv's interest therein.

(c) Capital Structure.

(i) As of January 3, 2001, the authorized capital stock of Conectiv consisted of (A) 150,000,000 shares of Conectiv Common Stock, of which 82,977,813 shares were outstanding, (B) 10,000,000 shares of Class A Stock, of which 5,742,315 shares were outstanding, and (C) 20,000,000 shares of Preferred Stock, of which no shares were outstanding but of which 1,200,000 shares have been designated as Series One Junior Preferred Stock and 65,606 shares have been designated as Series Two Junior Preferred Stock, in each case reserved for issuance upon exercise of the Preferred Stock Purchase Rights (the "**Rights**") distributed to the holders of Conectiv Stock pursuant to the Stockholders Rights Agreement, dated as of April 23, 1998, between Conectiv and Conectiv Resource Partners, Inc., as Rights Agent (the "**Rights Plan**"). From January 3, 2001 to the date of this Agreement, there have been no issuances of shares of the capital stock of Conectiv or any other securities of Conectiv other than issuances of shares (and accompanying Rights) pursuant to options or rights outstanding as of January 3, 2001 under the Benefit Plans (as defined in Section 8.11) of Conectiv. All issued and outstanding shares of the capital stock of Conectiv are duly authorized, validly issued, fully paid and nonassessable, and no class of capital stock is entitled to preemptive rights. There were outstanding as of January 3, 2001 no options, warrants or other rights to acquire capital stock from Conectiv other than (x) the Rights and (y) options representing in the aggregate the right to purchase up to 3,036,600 shares of Conectiv Common Stock (collectively, the "**Conectiv Stock Options**") under the Conectiv Incentive Compensation Plan (the "**Conectiv Stock Option Plan**"). As of January 3, 2001, Conectiv had further reserved 1,678,300 shares of Conectiv Common Stock for purchase pursuant to the Conectiv Stock Option Plan. Other than the associated Rights issued with the shares issued as described above, no options or warrants or other rights to acquire capital stock from Conectiv have been issued or granted from January 3, 2001 to the date of this Agreement.

(ii) As of the date of this Agreement, no bonds, debentures, notes or other indebtedness of Conectiv having the right to vote on any matters on which stockholders may vote ("**Conectiv Voting Debt**") are issued or outstanding.

(iii) All of the outstanding shares of capital stock of, or other equity interests in, each of Conectiv's Subsidiaries have been duly authorized and validly issued and are fully paid and nonassessable and are owned directly or indirectly by Conectiv, free and clear of all pledges, claims, liens, charges, encumbrances and security interests of any kind or nature whatsoever (collectively, "**Liens**"). To Conectiv's knowledge, all of the shares of capital stock or other equity interests which Conectiv owns in all of its Joint Ventures, have been duly authorized and validly issued and are fully paid and nonassessable. All such shares of capital stock or other equity interests are owned directly

or indirectly by Conectiv, free and clear of all Liens (other than any customary provisions contained in the applicable investment, shareholder, joint venture or similar agreements governing such Joint Venture). Except as otherwise set forth in this Section 3.1(c) or as contemplated by Section 5.6, as of the date of this Agreement, there are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which Conectiv or any of its Subsidiaries is a party, or by which any of them is bound, obligating Conectiv or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other voting securities of Conectiv or any of its Subsidiaries or obligating Conectiv or any of its Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. As of the date of this Agreement, there are no outstanding obligations of Conectiv or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of Conectiv or any of its Subsidiaries.

(d) Authority; No Violations.

(i) Conectiv has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, subject in the case of the consummation of the Conectiv Merger to the adoption of this Agreement by the Required Conectiv Vote (as defined in Section 3.1(i)). The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Conectiv, subject in the case of the consummation of the Conectiv Merger to the adoption of this Agreement by the Required Conectiv Vote. This Agreement has been duly executed and delivered by Conectiv and constitutes a valid and binding agreement of Conectiv, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors generally, by general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) or by an implied covenant of good faith and fair dealing.

(ii) Conectiv is not currently in violation of, or in default under, (A) any provision of the certificate of incorporation or by-laws of Conectiv or (B) except as would not reasonably be expected to result in a Material Adverse Effect on Conectiv, any loan or credit agreement, contract, note, mortgage, bond, indenture, lease, benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Conectiv or any of its Subsidiaries or their respective properties or assets. The execution and delivery of this Agreement by Conectiv do not, and the consummation by Conectiv of the Conectiv Merger and the other transactions contemplated hereby will not, result in any violation of, or constitute a default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, amendment, cancellation or acceleration of any obligation or the loss of a material benefit under, or the creation of a lien, pledge, security interest, charge or other encumbrance on any assets (any such conflict, violation, default, right of termination, amendment, cancellation or acceleration, loss or creation, a **"Violation"**) pursuant to: (C) any provision of the certificate of incorporation or by-laws of Conectiv

or (D) except as would not reasonably be expected to result in a Material Adverse Effect on Conectiv, subject to obtaining or making the consents, approvals, orders, permits, authorizations, registrations, declarations, notices and filings referred to in paragraph (iii) below, any loan or credit agreement, note, contract, mortgage, bond, indenture, lease, benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation of any kind to which Conectiv or any of its Subsidiaries is now subject to, a party to or by which any of them or any of their respective properties or assets may be bound or affected.

(iii) No material consent, approval, order, permit or authorization of, or registration, declaration, notice or filing with, any supranational, national, state, municipal or local government, any instrumentality, subdivision, court, administrative agency or commission or other authority thereof, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority (a “**Governmental Entity**”), is required by or with respect to Conectiv or any Subsidiary of Conectiv in connection with the execution and delivery of this Agreement by Conectiv or the consummation by Conectiv of the Conectiv Merger and the other transactions contemplated hereby, except for those required under or in relation to (A) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “**HSR Act**”), (B) state securities or “blue sky” laws (the “**Blue Sky Laws**”), (C) the Securities Act of 1933, as amended (the “**Securities Act**”), (D) the Exchange Act, (E) the DGCL with respect to the filing of the Certificates of Merger, (F) rules and regulations of the NYSE and (G) the consents, approvals, orders, permits, authorizations, registrations, declarations, notices and filings set forth in Section 3.1(d)(iii) of the Conectiv Disclosure Schedule. Consents, approvals, orders, permits, authorizations, registrations, declarations, notices and filings required under or in relation to any of the foregoing clauses (A) through (F) are hereinafter referred to as “**Necessary Approvals**” and those required under or in relation to clause (G) are hereinafter referred to as “**Conectiv Required Statutory Approvals.**”

(e) Compliance; Permits. Neither Conectiv nor any of its Subsidiaries is in violation of any law, rule, regulation, order, judgment or decree applicable to Conectiv or any of its Subsidiaries or by which its or any of their respective properties are bound, except for any such violation which would not reasonably be expected to result in a Material Adverse Effect on Conectiv. Conectiv and its Subsidiaries have all permits, licenses, authorizations, exemptions, orders, consents, approvals and franchises from Governmental Entities required to conduct their respective businesses as now being conducted, except for any such permit, license, authorization, exemption, order, consent, approval or franchise the absence of which would not reasonably be expected to result in a Material Adverse Effect on Conectiv.

(f) Reports and Financial Statements. Conectiv and its Subsidiaries have filed all reports, schedules, forms, statements, declarations, applications and other documents required to be filed by them with the Securities and Exchange Commission (the “**SEC**”) since January 1, 1999 (collectively, including all exhibits thereto, the “**Conectiv SEC Reports**”). None of Conectiv SEC Reports, as of their respective dates (and, if amended or superseded by a filing prior to the date of this Agreement or the Closing Date, then on the date of such filing), contained or will contain any untrue statement of a material fact or omitted or will omit to state a

material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the financial statements of Conectiv (including the related notes) included in the Conectiv SEC Reports presents fairly, in all material respects, the consolidated financial position and consolidated results of operations and cash flows of Conectiv and its consolidated Subsidiaries as of the respective dates or for the respective periods set forth therein, all in conformity with United States generally accepted accounting principles (“GAAP”) consistently applied during the periods involved except as otherwise noted therein, and subject, in the case of the unaudited interim financial statements, to the absence of footnotes and to normal year-end adjustments that have not been and are not expected to be material in amount. All of such Conectiv SEC Reports, as of their respective dates (and as of the date of any amendment to the respective Conectiv SEC Report), complied as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the Public Utility Holding Company Act of 1935, as amended (the “1935 Act”), and the rules and regulations promulgated thereunder.

(g) Absence of Certain Changes or Events; Absence of Undisclosed Liabilities. (i) Since December 31, 1999, Conectiv and its Subsidiaries have conducted their business in the ordinary course of business and no event has occurred which has had, and no fact or circumstance exists that would reasonably be expected to result in, a Material Adverse Effect on Conectiv.

(ii) Neither Conectiv nor any of its Subsidiaries has any liabilities or obligations (whether absolute, contingent, accrued or otherwise) of a nature required by GAAP to be reflected in a consolidated corporate balance sheet, except liabilities, obligations or contingencies that are accrued or reserved against in the consolidated financial statements of Conectiv or are reflected in the notes thereto for the year ended December 31, 1999, that were incurred in the ordinary course of business since December 31, 1999 or that would not reasonably be expected to result in a Material Adverse Effect on Conectiv.

(h) Board Approval. The Board of Directors of Conectiv, by resolutions duly adopted at a meeting duly called and held and not subsequently rescinded or modified in any way (the “**Conectiv Board Approval**”), has duly (i) determined that this Agreement and the Conectiv Merger are advisable and in the best interests of Conectiv and its stockholders, (ii) approved this Agreement and the Mergers and (iii) recommended that the stockholders of Conectiv adopt this Agreement and the Mergers. Assuming the accuracy of the representations and warranties set forth in Section 3.2(p), the Conectiv Board Approval constitutes approval of this Agreement and the Mergers for purposes of Section 203 of the DGCL.

(i) Vote Required. Assuming the accuracy of the representations and warranties set forth in Section 3.2(p), the affirmative vote of the holders of a majority of the total voting power of the outstanding shares of Conectiv Common Stock and Class A Stock, voting together as a single class, to adopt this Agreement (the “**Required Conectiv Vote**”) is the only vote of the holders of any class or series of Conectiv capital stock necessary to adopt this Agreement and approve the transactions contemplated hereby.

(j) Rights Plan. Conectiv has heretofore provided Parent with a complete and correct copy of the Rights Plan, including all amendments and exhibits thereto. The Board of

Directors of Conectiv has approved an amendment to the Rights Plan, and the Rights Plan has been so amended, so that neither the execution of this Agreement nor the consummation of the Merger will (i) cause the Rights to become exercisable, (ii) cause Parent or Merger Sub B to become an Acquiring Person (as such term is defined in the Rights Plan) or (iii) give rise to a Stock Acquisition Date or a Distribution Date (as each such term is defined in the Rights Plan).

(k) Takeover Statutes. No “fair price,” “moratorium,” “control share acquisition” or other similar antitakeover statute or regulation enacted under state or federal laws in the United States (with the exception of Section 203 of the DGCL) applicable to Conectiv is applicable to the Conectiv Merger or the other transactions contemplated hereby (other than the Parent Merger).

(l) Brokers or Finders. No agent, broker, investment banker, financial advisor or other firm or Person is or will be entitled to any broker’s or finder’s fee or any other similar commission or fee in connection with any of the transactions contemplated by this Agreement based on arrangements made by or on behalf of Conectiv, except Credit Suisse First Boston Corporation (the “**Conectiv Financial Advisor**”), whose fees and expenses will be paid by Conectiv in accordance with Conectiv’s agreement with such firm, based upon arrangements made by or on behalf of Conectiv and previously disclosed to Parent.

(m) Opinion of Conectiv Financial Advisor. Conectiv has received the opinion of Conectiv Financial Advisor, dated the date of this Agreement, to the effect that, as of such date, the Common Stock Consideration is fair to the holders of Conectiv Common Stock from a financial point of view and the Class A Consideration is fair to the holders of Conectiv Class A Stock from a financial point of view.

(n) Regulation as a Utility; 1935 Act. Conectiv is a public utility holding company registered under, and subject to the provisions of, the 1935 Act and Conectiv has the following two “subsidiary companies” that are “public utility companies” (as such terms are defined in the 1935 Act): Atlantic City Electric Company (“**ACE**”) and Delmarva Power & Light Company (“**DP&L**”). ACE is subject to regulation as a public utility or public service company (or similar designation) in the States of New Jersey and Pennsylvania and DP&L is subject to regulation as a public utility or public service company (or similar designation) in the States of Delaware, Maryland, Pennsylvania and Virginia. Except as set forth in the two preceding sentences, neither Conectiv nor any “subsidiary company” or “affiliate” (as such terms are defined in the 1935 Act) of Conectiv is subject to regulation as a public utility holding company, a public utility or public service company (or similar designation) by any state in the United States or any municipality or political subdivision of any state, by the United States or any agency or instrumentality of the United States (including under the 1935 Act) or by any foreign country.

(o) Taxes. Except for matters which would not reasonably be expected to result in a Material Adverse Effect on Conectiv, (i) Conectiv and each of its Subsidiaries, and any consolidated, combined, unitary or aggregate group for tax purposes of which Conectiv or any of its Subsidiaries is or has been a member has timely filed all Tax Returns (as defined below) required to be filed by it in the manner provided by law; (ii) all such Tax Returns filed by Conectiv or any of its Subsidiaries are true, complete and accurate in all material respects; (iii)

all Taxes (as defined below) with respect to Conectiv and its Subsidiaries due and payable (without regard to whether such Taxes have been assessed) have been timely paid or adequate reserves have been established for the payment of such Taxes; (iv) there are no Tax liens upon the assets of Conectiv or any of its Subsidiaries except liens for Taxes not yet due; (v) no audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes or Tax Returns of Conectiv or any of its Subsidiaries and no issue that has not yet been resolved has been raised in writing after December 31, 1993 by any Tax authority in connection with any income or gross receipt Tax or Tax Return; (vi) Conectiv and its Subsidiaries have made available to Parent complete and accurate copies of (A) the most recently filed material income Tax Returns and any amendments thereto as of the date of this Agreement and (B) any Tax Rulings issued or entered into after December 31, 1993 by Conectiv or any of its Subsidiaries with any Tax authority that could materially impact income or gross receipt Taxes of Conectiv or any of its Subsidiaries with respect to any Tax Return that has not been filed; (vii) with respect to the assessment of all income or gross receipt Taxes for all taxable periods of Conectiv and its Subsidiaries through December 31, 1992, either (A) the statute of limitations has expired for all applicable Tax Returns of Conectiv and its Subsidiaries or (B) those Tax Returns have been examined by the appropriate taxing authorities; (viii) no deficiency for any income or gross receipt Taxes has been proposed, asserted or assessed against Conectiv or any of its Subsidiaries that has not been resolved and paid in full; (ix) neither Conectiv nor any of its Subsidiaries has any liability for Taxes of any person other than Conectiv and its Subsidiaries (A) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), (B) as a transferee or successor, (C) by contract or (D) otherwise; and (x) neither Conectiv nor any of its Subsidiaries has constituted a "distributing corporation" in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code (A) in the past 24-month period or (B) in a distribution which could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code). "**Tax(es)**," as used in this Agreement, means any federal, state, county, local or foreign taxes, charges, fees, levies, or other assessments, including all net income, gross income, sales and use, ad valorem, transfer, gains, profits, windfall profits, excise, franchise, real and personal property, gross receipts, capital stock, production, business and occupation, disability, employment, payroll, license, estimated, stamp, custom duties, severance or withholding taxes or other taxes or similar charges imposed by any governmental authority, and includes any interest and penalties (civil or criminal) on or additions to any such taxes or in respect of a failure to comply with any requirement relating to any Tax Return and any expenses incurred in connection with the determination, settlement or litigation of any tax liability. "**Tax Return**," as used in this Agreement, means a report, return or other information supplied to a governmental authority with respect to Taxes including, where permitted or required, combined or consolidated returns for any group of entities that includes Conectiv or any of its Subsidiaries, on the one hand, or Parent or any of its Subsidiaries, on the other hand. "**Tax Ruling**," as used in this Agreement, shall mean a written ruling of a Tax authority relating to Taxes.

(p) **Benefit Plans.** (i) Section 3.1(p)(i) of the Conectiv Disclosure Schedule sets forth a list of each material Benefit Plan (as defined in Section 8.11) of Conectiv. The Benefit Plans of Conectiv have been administered and operated in accordance with their terms, and with all applicable requirements of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), the Code and other applicable laws, except where the failure to so comply would not reasonably be expected to result in a Material Adverse Effect on Conectiv.

Except as would not reasonably be expected to result in a Material Adverse Effect on Conectiv, there are no pending or, to the knowledge of Conectiv, threatened claims and no pending or, to the knowledge of Conectiv, threatened litigation with respect to any Benefit Plan of Conectiv, other than ordinary and usual claims for benefits by participants and beneficiaries.

(ii) Each Benefit Plan of Conectiv that is intended to be “qualified” within the meaning of Section 401(a) of the Code or its predecessor(s) has received a favorable determination letter from the IRS and, to the knowledge of Conectiv, no event has occurred and no condition exists that would reasonably be expected to result in the revocation of any such determination.

(iii) No unsatisfied liability that would reasonably be expected to result in a Material Adverse Effect on Conectiv has been, or would reasonably be expected to be, incurred under Title IV of ERISA (other than for benefits payable in the ordinary course or Pension Benefit Guaranty Corporation insurance premiums) or Sections 412(f) or (n) of the Code by Conectiv or by any entity required to be aggregated with Conectiv pursuant to Section 4001 of ERISA and/or Section 414 of the Code and the regulations promulgated thereunder (an “**ERISA Affiliate**”). No Benefit Plan of Conectiv or of any ERISA Affiliate of Conectiv that is subject to Title IV of ERISA has been terminated or is or has been the subject of termination proceedings pursuant to Title IV of ERISA which termination would reasonably be expected to result in a Material Adverse Effect on Conectiv.

(iv) No Benefit Plan of Conectiv is a “multiemployer plan” (as defined in Section 4001(a)(3) of ERISA) and neither Conectiv nor any ERISA Affiliate has been obligated to contribute to any multiemployer plan or has incurred or would reasonably be expected to incur any withdrawal liability under Subtitle E of Title IV of ERISA with respect to any multiemployer plan which liability would reasonably be expected to result in a Material Adverse Effect on Conectiv.

(v) No Benefit Plan of Conectiv nor any Benefit Plan of an ERISA Affiliate of Conectiv has incurred any “accumulated funding deficiency” (within the meaning of Section 302 of ERISA or Section 412 of the Code) whether or not waived.

(vi) Neither Conectiv nor any of its Subsidiaries, or, to the knowledge of Conectiv, any other “disqualified person” or “party in interest” (as defined in Section 4975(e)(2) of the Code and Section 3(14) of ERISA, respectively), has engaged in any transaction in connection with any Benefit Plan of Conectiv that has resulted in, or could reasonably be expected to result in, the imposition of a penalty pursuant to Section 502(i) of ERISA, damages pursuant to Section 409 of ERISA or a tax pursuant to Section 4975(a) of the Code which liability would reasonably be expected to result in a Material Adverse Effect on Conectiv.

(vii) Neither the execution nor performance of this Agreement nor the consummation of the transactions contemplated hereby, whether alone or in conjunction with a termination of employment, will accelerate the time of payment or vesting, or increase the amount of compensation owed to any current or former employee, officer or director of Conectiv or any of its Subsidiaries (including under the Delmarva Sub-Plan of the Conectiv Retirement Plan).

(viii) With respect to each Benefit Plan of Conectiv, Conectiv has made available to the Parent true and complete copies of the following documents, as applicable: (i) all plan documents, with all amendments thereto; (ii) the current summary plan description with any applicable summaries of material modifications thereto; (iii) all current trust agreements and/or other documents establishing plan funding arrangements; (iv) the most recent IRS determination letter and, if a request for such a letter is currently pending, a copy of such filing; (v) the most recently prepared actuarial valuation report; and (vi) the most recently prepared financial statements.

(ix) No Benefit Plan of Conectiv provides for the payment of severance benefits solely by reason of the consummation of the transaction contemplated in this Agreement.

(q) Litigation. Except for claims, actions, suits, proceedings or investigations that would not reasonably be expected to result in a Material Adverse Effect on Conectiv, there are no claims, actions, suits, proceedings or investigations pending or, to Conectiv's knowledge, threatened against Conectiv or any of its Subsidiaries, or any of their respective properties, before or by any Governmental Entity. As of the date hereof, neither Conectiv nor any of its Subsidiaries nor any of their respective properties is or are subject to any order, writ, judgment, injunction, decree or award having, or which would reasonably be expected to result in, a Material Adverse Effect on Conectiv.

(r) Environmental Matters. Except as would not reasonably be expected to result in a Material Adverse Effect on Conectiv: (i) Conectiv and each of its Subsidiaries comply with all applicable Environmental Laws (as defined below), and possess and comply with all applicable Environmental Permits (as defined below) and all requirements for application, renewal or modification thereof, as well as air emission allowances and air emissions reduction credits required under such laws to operate as it presently operates; (ii) to the knowledge of Conectiv, there are no Materials of Environmental Concern (as defined below) at any current or former assets, facilities, businesses or properties owned or operated by Conectiv or any of its Subsidiaries, under circumstances that are reasonably likely to result in liability of Conectiv or any Subsidiary under any applicable Environmental Law; (iii) neither Conectiv nor any of its Subsidiaries has received any written notification alleging that it is liable for, or has received any request for information pursuant to section 104(e) of the Comprehensive Environmental Response, Compensation and Liability Act or similar state statute or any other similar applicable Environmental Laws, concerning any release or threatened release of Materials of Environmental Concern at any location; (iv) to the knowledge of Conectiv, no capital expenditures will be required to achieve or maintain compliance with Environmental Laws; and (v) to the knowledge of Conectiv, neither Conectiv nor any of its Subsidiaries has contractually assumed or retained from any person or entity (including any Governmental Entity), liability for any matters arising under or pursuant to any Environmental Laws. For purposes of this Agreement, the following terms shall have the following meanings: (x) "**Environmental Laws**" shall mean all foreign, federal, state, or local statutes, regulations, ordinances, codes, or decrees and any binding administrative or judicial interpretation thereof protecting the quality of the ambient air, soil, natural resources, surface water or groundwater, in effect as of the date of this Agreement; (y) "**Environmental Permits**" shall mean all permits, licenses, registrations, and other authorizations required under applicable Environmental Laws; and (z) "**Materials of**

Environmental Concern” shall mean any hazardous, acutely hazardous, or toxic substance or waste defined, characterized or regulated as such under Environmental Laws, including without limitation the federal Comprehensive Environmental Response, Compensation and Liability Act and the federal Clean Air Act, Clean Water Act, Toxic Substances Control Act, Resource Conservation and Recovery Act and any analogous state and local laws and regulations.

(s) No Parent Capital Stock. Conectiv does not own or hold directly or indirectly any shares of Parent Common Stock or any other capital stock of Parent, or any options, warrants or other rights to acquire any shares of Parent Common Stock or any other capital stock of Parent, or in each case, any interests therein.

(t) Intellectual Property. Conectiv and its Subsidiaries have all right, title and interest in, or a valid and binding license to use, all Intellectual Property (as defined below) material to the conduct of the business of Conectiv and its Subsidiaries taken as a whole. Neither Conectiv nor any Subsidiary of Conectiv is in default (or with the giving of notice or lapse of time or both, would be in default) under any license to use such Intellectual Property and, to the knowledge of Conectiv, such Intellectual Property is not being infringed by any third party, and neither Conectiv nor any Subsidiary of Conectiv is infringing any Intellectual Property of any third party, except for such defaults and infringements which would not reasonably be expected to result in a Material Adverse Effect on Conectiv. For purposes of this Agreement **“Intellectual Property”** means patents and patent rights, trademarks and trademark rights, trade names and trade name rights, service marks and service mark rights, service names and service name rights, copyrights and copyright rights and other proprietary intellectual property rights and all pending applications for and registrations of any of the foregoing.

(u) Nuclear Operations and NRC Actions.

(i) Conectiv’s Subsidiaries hold minority-interest ownerships in those facilities set forth in Section 3.1(u) of the Conectiv Disclosure Schedule (the **“Company Nuclear Facilities”**). Such Subsidiaries hold the required operating licenses with respect to the Company Nuclear Facilities. To the knowledge of Conectiv, the operations of the Company Nuclear Facilities are and have at all times been conducted in compliance with applicable health, safety, regulatory and other legal requirements, and no Company Nuclear Facility is or has been in violation of any applicable health, safety, regulatory or other legal requirements applicable to the Company Nuclear Facilities, except for such failures to comply as would not reasonably be expected to result in a Material Adverse Effect on Conectiv. To the knowledge of Conectiv, the Company Nuclear Facilities maintain or have maintained emergency plans designed to respond to an unplanned release therefrom of radioactive materials into the environment and liability insurance to the extent required by law, and such further insurance (other than liability insurance) as is consistent with the Company’s view of the risks inherent in the operation of a nuclear power facility and with the general practices of the nuclear power industry.

(ii) Neither Conectiv nor any of its Subsidiaries has been given written notice of or been charged with actual or potential violation of, or, to the knowledge of Conectiv, is the subject of any ongoing proceeding, inquiry, special inspection, diagnostic evaluation or other Nuclear Regulatory Commission (**“NRC”**) action of which Conectiv or any of its Subsidiaries has received notice under the Atomic Energy Act, any applicable regulations thereunder or the

terms and conditions of any license granted to Conectiv or any of its Subsidiaries regarding the Company Nuclear Facilities that would reasonably be expected to result in likely to have, a Material Adverse Effect on Conectiv. No Company Nuclear Facility is, as of the date of this Agreement, on the List of Nuclear Power Plants Warranting Increased Regulatory Attention maintained by the NRC.

(v) Insurance. Conectiv and each of Conectiv's Subsidiaries is, and has been continuously since January 1, 1996, insured with financially responsible insurers (or maintained self-insurance) in such amounts and against such risks and losses as are customary for companies conducting the business as conducted by Conectiv and its Subsidiaries during such time period.

(w) Commodity Matters. As of February 6, 2001, Conectiv and its Subsidiaries do not have open forward price exposure exceeding, in the aggregate (as qualified on a mark-to-market basis, using FASB 133 guidelines, and calculated with respect to its physical and financial position exposure) \$5.3 million of one-day value at risk and \$11.9 million of five-day value at risk for the following energy related commodity products, including but not limited to: natural gas and natural basis, oil and oil related products, coal, emissions allowances, weather derivatives, and electricity, including installed capacity, transmission capacity and other ancillary products.

3.2. Representations and Warranties of Parent. Except as set forth in the Disclosure Schedule delivered by Parent to Conectiv prior to the execution of this Agreement (the "**Parent Disclosure Schedule**") and except as set forth in the Parent SEC Reports (as defined in Section 3.2(f)) filed prior to the date of this Agreement, Parent represents and warrants to Conectiv as follows:

(a) Organization, Standing and Power. (i) Parent and each of its Subsidiaries (including HoldCo, Merger Sub A and Merger Sub B) is a corporation or other entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted and is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary other than in such jurisdictions where the failure to so qualify or be in good standing would not reasonably be expected to result in a Material Adverse Effect on Parent. The copies of the articles of incorporation and by-laws of Parent and HoldCo, which were previously furnished to Conectiv are true, complete and correct copies of such documents as in effect on the date of this Agreement. HoldCo is a direct wholly-owned Subsidiary of Parent.

(ii) Each of Parent's Joint Ventures is a corporation duly incorporated or an entity otherwise organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted and is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except in each case as would not reasonably be expected to result in a Material Adverse Effect on Parent.

(b) Subsidiaries. Section 3.2(b) of the Parent Disclosure Schedule contains a description as of the date hereof of all Subsidiaries of Parent, including the name of each such entity, the state or jurisdiction of its incorporation or organization, a brief description of the principal line or lines of business conducted by each such entity and Parent's interest therein.

(c) Capital Structure.

(i) As of January 31, 2001, the authorized capital stock of Parent consisted of (A) 200,000,000 shares of Parent Common Stock, par value \$1.00 per share, of which 110,751,976 shares were outstanding, (B) 8,800,000 shares of Preference Stock, par value \$25 per share, of which no shares were outstanding and 7,750,000 shares of preferred stock, par value \$50 per share (the "**Parent Preferred Stock**"), of which 1,806,543 shares are outstanding. From January 31, 2001 to the date of this Agreement, there have been no issuances of shares of the capital stock of Parent or any other securities of Parent other than issuances of shares pursuant to options or rights outstanding as of January 31, 2001 under the Benefit Plans of Parent. All issued and outstanding shares of the capital stock of Parent are duly authorized, validly issued, fully paid and nonassessable, and no class of capital stock is entitled to preemptive rights. There were outstanding as of January 31, 2001 no options, warrants or other rights to acquire capital stock from Parent other than the right to purchase up to 1,332,441 shares of Parent Common Stock. No options or warrants or other rights to acquire capital stock from Parent have been issued or granted from January 31, 2001 to the date of this Agreement. The issuance by HoldCo of HoldCo Common Stock to the holders of Conectiv Stock pursuant to this Agreement has been duly authorized by all requisite corporate action of HoldCo and Parent and, upon such issuance, all such shares of HoldCo Common Stock will be validly issued, fully paid and nonassessable.

(ii) As of the date of this Agreement, no bonds, debentures, notes or other indebtedness of Parent having the right to vote on any matters on which stockholders may vote ("**Parent Voting Debt**") are issued or outstanding.

(iii) All of the outstanding shares of capital stock of, or other equity interests in, each of Parent's Subsidiaries have been duly authorized and validly issued and are fully paid and nonassessable and are owned directly or indirectly by Parent, free and clear of all Liens. To Parent's knowledge, all of the shares of capital stock or other equity interests which Parent owns in all of its Joint Ventures, have been duly authorized and validly issued and are fully paid and nonassessable. All such shares of capital stock or other equity interests are owned directly or indirectly by Parent, free and clear of all Liens (other than any customary provisions contained in the applicable investment, shareholder, joint venture or similar agreements governing such Joint Venture). Except as otherwise set forth in this Section 3.2(c), as of the date of this Agreement, there are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which Parent or any of its Subsidiaries is a party, or by which any of them is bound, obligating Parent or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other voting securities of Parent or any of its Subsidiaries or obligating Parent or any of its Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call,

right, commitment, agreement, arrangement or undertaking. As of the date of this Agreement, there are no outstanding obligations of Parent or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of Parent or any of its Subsidiaries.

(d) Authority; No Violations.

(i) Each of Parent, Merger Sub A, Merger Sub B and HoldCo have all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Parent, Merger Sub A, Merger Sub B and HoldCo. This Agreement has been duly executed and delivered by each of Parent, Merger Sub A, Merger Sub B and HoldCo and constitutes a valid and binding agreement of each of Parent, Merger Sub A, Merger Sub B and HoldCo, enforceable against each of them in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors generally, by general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law) or by an implied covenant of good faith and fair dealing.

(ii) Parent is not currently in violation of, or in default under, (A) any provision of the articles of incorporation or by-laws of Parent or (B) except as would not reasonably be expected to result in a Material Adverse Effect on Parent, any loan or credit agreement, contract, note, mortgage, bond, indenture, lease, benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Parent or any of its Subsidiaries or their respective properties or assets. The execution and delivery of this Agreement by Parent, Merger Sub A, Merger Sub B and HoldCo do not, and the consummation by Parent, Merger Sub A, Merger Sub B and HoldCo of the Mergers and the other transactions contemplated hereby will not, result in a Violation pursuant to: (C) any provision of the articles of incorporation or by-laws of Parent or (D) except as would not reasonably be expected to result in a Material Adverse Effect on Parent, subject to obtaining or making the consents, approvals, orders, permits, authorizations, registrations, declarations, notices and filings referred to in paragraph (iii) below, any loan or credit agreement, note, contract, mortgage, bond, indenture, lease, benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation of any kind to which Parent or any of its Subsidiaries is now subject to or a party to or by which any of them or any of their respective properties or assets may be bound or affected.

(iii) No material consent, approval, order, permit or authorization of, or registration, declaration, notice or filing with, any Governmental Entity is required by or with respect to Parent or any Subsidiary of Parent in connection with the execution and delivery of this Agreement by Parent, Merger Sub A, Merger Sub B and HoldCo or the consummation by Parent, Merger Sub A, Merger Sub B and HoldCo of the Mergers and the other transactions contemplated hereby, except for (A) the Necessary Approvals and

(B) the consents, approvals, orders, permits, authorizations, registrations, declarations, notices and filings set forth in Section 3.2(d)(iii) of the Parent Disclosure Schedule (the **“Parent Required Statutory Approvals”**).

(e) Compliance; Permits. Neither Parent nor any of its Subsidiaries is in violation of any law, rule, regulation, order, judgment or decree applicable to Parent or any of its Subsidiaries or by which its or any of their respective properties are bound, except for any such violation which would not reasonably be expected to result in a Material Adverse Effect on Parent. Parent and its Subsidiaries have all permits, licenses, authorizations, exemptions, orders, consents, approvals and franchises from Governmental Entities required to conduct their respective businesses as now being conducted, except for any such permit, license, authorization, exemption, order, consent, approval or franchise the absence of which would not reasonably be expected to result in a Material Adverse Effect on Parent.

(f) Reports and Financial Statements. Parent and its Subsidiaries have filed all reports, schedules, forms, statements, declarations, applications and other documents required to be filed by them with the SEC since January 1, 1999 (collectively, including all exhibits thereto, the **“Parent SEC Reports”**). None of the Parent SEC Reports, as of their respective dates (and, if amended or superseded by a filing prior to the date of this Agreement or the Closing Date, then on the date of such filing), contained or will contain any untrue statement of a material fact or omitted or will omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the financial statements of Parent (including the related notes) included in the Parent SEC Reports presents fairly, in all material respects, the consolidated financial position and consolidated results of operations and cash flows of Parent and its consolidated Subsidiaries as of the respective dates or for the respective periods set forth therein, all in conformity with GAAP consistently applied during the periods involved except as otherwise noted therein, and subject, in the case of the unaudited interim financial statements, to the absence of footnotes and to normal year-end adjustments that have not been and are not expected to be material in amount. All of such Parent SEC Reports, as of their respective dates (and as of the date of any amendment to the respective Parent SEC Report), complied as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the 1935 Act and the rules and regulations promulgated thereunder.

(g) Absence of Certain Changes or Events; Absence of Undisclosed Liabilities. (i) Since December 31, 1999, Parent and its Subsidiaries have conducted their business in the ordinary course of business and no event has occurred which has had, and no fact or circumstance exists that would reasonably be expected to result in, a Material Adverse Effect on Parent.

(ii) Neither Parent nor any of its Subsidiaries has any liabilities or obligations (whether absolute, contingent, accrued or otherwise) of a nature required by GAAP to be reflected in a consolidated corporate balance sheet, except liabilities, obligations or contingencies that are accrued or reserved against in the consolidated financial statements of Parent or are reflected in the notes thereto for the year ended December 31, 1999, that were incurred in the ordinary course of business since December 31, 1999 or that would not reasonably be expected to result in a Material Adverse Effect on Parent.

(h) Brokers or Finders. No agent, broker, investment banker, financial advisor or other firm or Person is or will be entitled to any broker's or finder's fee or any other similar commission or fee in connection with any of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent, except Merrill Lynch & Co., Inc. (the "**Parent Financial Advisor**"), whose fees and expenses will be paid by Parent in accordance with Parent's agreement with such firm based upon arrangements made by or on behalf of Parent and previously disclosed to Conectiv.

(i) Opinion of Parent Financial Advisor. Parent has received the opinion of Parent Financial Advisor, dated the date of this Agreement, to the effect that, as of such date, the Parent Merger Consideration is fair, from a financial point of view, to each of the holders of Parent Common Stock.

(j) Regulation as a Utility; 1935 Act. Parent is not a public utility holding company within the meaning of the 1935 Act, but is a "public-utility company" within the meaning of the 1935 Act. Parent is regulated as a public utility in the District of Columbia and the State of Maryland and, to a limited extent, in the Commonwealths of Pennsylvania and Virginia and in no other state. Except as set forth in the two preceding sentences, neither Parent nor any "subsidiary company" or "affiliate" (as such terms are defined in the 1935 Act) of Parent is subject to regulation as a public utility holding company, a public utility or public service company (or similar designation) by any state in the United States or any municipality or political subdivision of any state, by the United States or any agency or instrumentality of the United States (including under the 1935 Act) or by any foreign country.

(k) Taxes. Except for matters which would not reasonably be expected to result in a Material Adverse Effect on Parent, (i) Parent and each of its Subsidiaries, and any consolidated, combined, unitary or aggregate group for tax purposes of which Parent or any of its Subsidiaries is or has been a member has timely filed all Tax Returns required to be filed by it in the manner provided by law; (ii) all such Tax Returns filed by Parent or any of its Subsidiaries are true, complete and accurate in all material respects; (iii) all Taxes with respect to Parent and its Subsidiaries due and payable (without regard to whether such Taxes have been assessed) have been timely paid or adequate reserves have been established for the payment of such Taxes; (iv) there are no Tax liens upon the assets of Parent or any of its Subsidiaries except liens for Taxes not yet due; (v) no audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes or Tax Returns of Parent or any of its Subsidiaries and no issue that has not yet been resolved has been raised in writing after December 31, 1995 by any Tax authority in connection with any income or gross receipt Tax or Tax Return; (vi) with respect to the assessment of all income or gross receipt Taxes for all taxable periods of Parent and its Subsidiaries through December 31, 1995, either (A) the statute of limitations has expired for all applicable Tax Returns of Parent and its Subsidiaries or (B) those Tax Returns have been examined by the appropriate taxing authorities; (vii) no deficiency for any income or gross receipt Taxes has been proposed, asserted or assessed against Parent or any of its Subsidiaries that has not been resolved and paid in full; (viii) neither Parent nor any of its Subsidiaries has any liability for Taxes of any person other than Parent and its Subsidiaries (A) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), (B) as a transferee or successor, (C) by contract or (D) otherwise; and (ix) neither Parent nor any of its Subsidiaries has constituted a "distributing corporation" in a distribution of stock qualifying for

tax-free treatment under Section 355 of the Code (A) in the past 24-month period or (B) in a distribution which could otherwise constitute part of a “plan” or “series of related transactions” (within the meaning of Section 355(e) of the Code).

(l) Benefit Plans.

(i) Each Benefit Plan of Parent has been administered and operated in accordance with its terms, and with all applicable requirements of ERISA, the Code and other applicable laws, except where the failure to so comply would not reasonably be expected to result in a Material Adverse Effect on Parent. Except as would not reasonably be expected to result in a Material Adverse Effect on Parent, there are no pending or, to the knowledge of Parent, threatened claims and no pending or, to the knowledge of Parent, threatened litigation with respect to any Benefit Plan of Parent, other than ordinary and usual claims for benefits by participants and beneficiaries.

(ii) Each Benefit Plan of Parent that is intended to be “qualified” within the meaning of Section 401(a) of the Code or its predecessor(s) has received a favorable determination letter from the IRS and, to the knowledge of Parent, no event has occurred and no condition exists that would reasonably be expected to result in the revocation of any such determination except to the extent failure to have received a favorable determination letter or revocation of such determination letter would not reasonably be expected to result in a Material Adverse Effect on Parent.

(iii) No unsatisfied liability that would reasonably be expected to result in a Material Adverse Effect on Parent, has been, or would reasonably be expected to be, incurred under Section 502(i) or 409 or Title IV of ERISA (other than for benefits payable in the ordinary course or Pension Benefit Guaranty Corporation insurance premiums) or Sections 412(f), 412(n) or 4975(a) of the Code by Parent or by any ERISA Affiliate. No Benefit Plan of Parent nor any Benefit Plan of an ERISA Affiliate of Parent has incurred any “accumulated funding deficiency” (within the meaning of Section 302 of ERISA or Section 412 of the Code) whether or not waived except to the extent such deficiency would not reasonably be expected to result in a Material Adverse Effect on Parent.

(m) Litigation. Except for claims, actions, suits, proceedings or investigations that would not reasonably be expected to result in a Material Adverse Effect on Parent, there are no claims, actions, suits, proceedings or investigations pending or, to Parent’s knowledge, threatened against Parent or any of its Subsidiaries, or any of their respective properties, before or by any Governmental Entity. As of the date hereof, neither Parent nor any of its Subsidiaries nor any of their respective properties is or are subject to any order, writ, judgment, injunction, decree or award having, or which would reasonably be expected to result in, a Material Adverse Effect on Parent.

(n) Environmental Matters. Except as would not reasonably be expected to result in a Material Adverse Effect on Parent: (i) Parent and each of its Subsidiaries comply with all applicable Environmental Laws, and possess and comply with all applicable Environmental Permits and all requirements for application, renewal or modification thereof, as well as air emission allowances and air emissions reduction credits required under such laws to operate as it

presently operates; (ii) to the knowledge of Parent, there are no Materials of Environmental Concern at any current or former assets, facilities, businesses or properties owned or operated by Parent or any of its Subsidiaries, under circumstances that are reasonably likely to result in liability of Parent or any Subsidiary under any applicable Environmental Law; (iii) neither Parent nor any of its Subsidiaries has received any written notification alleging that it is liable for, or has received any request for information pursuant to section 104(e) of the Comprehensive Environmental Response, Compensation and Liability Act or similar state statute or any other similar applicable Environmental Laws, concerning any release or threatened release of Materials of Environmental Concern at any location; (iv) to the knowledge of Parent, no capital expenditures will be required to achieve or maintain compliance with Environmental Laws; and (v) to the knowledge of Parent, neither Parent nor any of its Subsidiaries has contractually assumed or retained from any person or entity (including any Governmental Entity), liability for any matters arising under or pursuant to any Environmental Laws

(o) Vote Required. Assuming the accuracy of the representations and warranties set forth in Section 3.1(s), the affirmative vote of (i) the holders of 66 2/3% of outstanding shares or Parent Common Stock voting separately as a class and (ii) a majority of all outstanding shares of Parent Common Stock and Parent Preferred Stock, voting together as a single class (the “**Required Parent Vote**”) is the only vote of the holders of any class or series of Parent capital stock necessary to adopt this Agreement and approve the transactions contemplated hereby.

(p) No Conectiv Capital Stock. Neither Parent nor any of its Subsidiaries own or hold directly or indirectly any shares of Conectiv Stock, or any options, warrants or other rights to acquire any shares of Conectiv Stock, or in each case, any interests therein, other than pursuant to the Mergers as contemplated by this Agreement.

(q) HoldCo. HoldCo has not conducted any activities other than in connection with the organization of HoldCo, the negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby. Other than Merger Sub A and Merger Sub B, HoldCo has no Subsidiaries.

(r) Sufficient Funds. Parent and HoldCo will have at the Effective Time sufficient immediately available funds and sufficient authorized but unissued shares or treasury shares of HoldCo Common Stock to consummate the transactions contemplated hereby and to pay all related fees and expenses.

(s) Insurance. Parent and each of its Subsidiaries is, and has been continuously since January 1, 1996, insured with financially responsible insurers (or maintained self-insurance) in such amounts and against such risks and losses as are customary for companies conducting the business as conducted by Parent and its Subsidiaries during such time period.

(t) Intellectual Property. Parent and its Subsidiaries have all right, title and interest in, or a valid and binding license to use, all Intellectual Property material to the conduct of the business of Parent and its Subsidiaries taken as a whole. Neither Parent nor any Subsidiary of Parent is in default (or with the giving of notice or lapse of time or both, would be in default) under any license to use such Intellectual Property and, to the knowledge of Parent, such

Intellectual Property is not being infringed by any third party, and neither Parent nor any Subsidiary of Parent is infringing any Intellectual Property of any third party, except for such defaults and infringements which would not reasonably be expected to result in a Material Adverse Effect on Parent.

(u) Board Approval. The Board of Directors of Parent, by resolutions duly adopted at a meeting duly called and held and not subsequently rescinded or modified in any way (the “**Parent Board Approval**”), has duly (i) determined that this Agreement and the Mergers are advisable and in the best interests of Parent and its stockholders, (ii) approved this Agreement and the Mergers and (iii) recommended that the stockholders of Parent adopt this Agreement and the Mergers. Assuming the accuracy of the representations and warranties set forth in Section 3.1(s), the Parent Board Approval constitutes approval of this Agreement and the Mergers for purposes of Sections 13.1-725 through 13.1-727 of the VSCA.

(v) Rights Plan. Parent does not have a stockholders rights agreement, shareholders rights plan or any other similar plan or agreement.

(w) Takeover Statutes. No “fair price,” “moratorium,” “control share acquisition” or other similar antitakeover statute or regulation enacted under state or federal laws in the United States (with the exception of Sections 13.1-725 through 13.1-727 of the VSCA) applicable to Parent is applicable to the Parent Merger or the other transactions contemplated hereby (other than the Conectiv Merger).

ARTICLE IV

COVENANTS RELATING TO CONDUCT OF BUSINESS

4.1. Covenants of Conectiv. During the period from the date of this Agreement and continuing until the Effective Time, Conectiv agrees as to itself and its Subsidiaries that (except as expressly contemplated or permitted by this Agreement or as otherwise indicated on the Conectiv Disclosure Schedule or as required by a Governmental Entity of competent jurisdiction or by applicable law, rule or regulation, or to the extent that Parent shall otherwise consent in writing (which consent not to be unreasonably delayed or withheld)):

(a) Ordinary Course of Business. Conectiv shall, and shall cause its Subsidiaries to, carry on its and their businesses in the usual, regular and ordinary course consistent with past practice and use all commercially reasonable efforts to preserve intact their present business organizations and goodwill, preserve the goodwill and relationships with customers, suppliers and others having business dealings with them and, subject to prudent management of their workforces and on-going programs currently in force, keep available the services of their present officers and employees, to the end that their goodwill and ongoing businesses shall not be impaired in any material respect at the Effective Time. Conectiv shall not, and shall not permit any of its Subsidiaries to, (i) enter into a new line of business involving any material investment of assets or resources or any material exposure to liability or loss (including, without limitation, any loans or capital contributions to, and the undertaking of any guarantees in favor of or any “keep